

Committee Name and Date of Committee Meeting

Audit Committee – 28 July 2022

Report Title

Dedicated School Grant – Central Reserve

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

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Ward(s) Affected

Borough-Wide

Report Summary

The report outlines the current and projected overspend on the Dedicated Schools Grant (DSG) and the recovery plans in place to enable Rotherham to operate within its annual allocation and reduce the deficit over future years.

The report outlines the national picture on the High Needs Block as part of the overall Dedicated Schools Grant and the additional funding Government is investing in education as part of its spending review.

Recommendations

1. Audit Committee notes the actions being taken to manage the Dedicated School Grant deficit in Rotherham.
2. Audit Committee notes the additional funding allocated to Rotherham through the Department for Education's Safety Valve Programme.

List of Appendices Included

Background Papers

Operational Delivery of LAC Sufficiency Strategy – Proposals to Develop New Residential Provision – Agreed by Cabinet February 2020
DfE Review of national funding formula for allocations of high needs funding to local authorities; changes for 2022-23
Dedicated schools grant (DSG) financial management plan
SEND & AP Green Paper

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Dedicated School Grant – Central Reserve

1. Background

- 1.1 Rotherham has been a relatively low funded authority and has seen significant pressures on the High Needs Block for many years. The High Needs Budget allocation has increased year on year but, partly due to Rotherham's low funding baseline compared to neighbouring boroughs and nationally, the budget uplifts have not been sufficient to match the acceleration in demand and increase in the cost of provision.
- 1.2 During recent years Rotherham has faced growing pressure on the High Needs Budget (HNB) which has resulted in year on year deficits. In 2015/16 the High Needs in-year deficit was £1m, however, since then in the financial years up to 2019/20, the annual HNB deficit had been around £5m with an overall DSG deficit of £19.89m as at the 31st March 2020.
- 1.3 However following implementation of Rotherham's DSG Management plan (which includes continuing to transfer monies from the Schools Block) the annual pressures have significantly reduced with an in-year DSG deficit of £1.37m in 2020/21. This was further reduced to a £0.11m deficit in 2021/22 and an overall deficit of £21.37m (before taking account of Safety Valve funding).
- 1.4 The DSG overspend has accrued as a result of a number of factors; an overall increase in Education Health and Care Plans, an increase in the number of young people aged 16 to 25 with an EHCP who are the responsibility of the LA to fund, an increase in the number of children accessing higher cost provision and an increase in the number of pupils in Alternative Provisions (Pupil Referral Units).
- 1.5 The deficit reflects system wide issues in how the funding is determined. Whilst the allocation moved to a formulaic basis in 2018/19 and now includes proxy indicators of SEND within the population, a large element of the grant remains fixed based on historic spend.
- 1.6 To monitor the DSG central reserve on the 16 September 2020 the Education and Skills Funding Agency (ESFA) launched the Dedicated Schools Grant (DSG) Management Plan Template to replace last year's DfE DSG Deficit Recovery Plan and under the new arrangements there is no longer a requirement to submit this document to the DfE, but it could be requested by them at any point.
- 1.7 In 2021 the ESFA approached Rotherham to have an Informal Meeting (13/5/21) on our DSG Management Plan, following the meeting a second meeting was arranged with the ESFA, however this never took place and on the 20 July 2021 Rotherham were invited to enter into the DfE's Safety Valve Programme.
- 1.8 Following significant negotiations between Rotherham Metropolitan Borough Council (RMBC) and Department of Education (DfE). A Safety Valve' Intervention agreement has been developed to support Rotherham to address its long term issues linked to High Needs funding deficit, including investment from DfE of £20.53m across the 5 years of the agreement. The Council also

requested capital investment to deliver it's long term strategic plan and have been awarded £4.3m above the annual High Needs capital allocations (circa £9m, £3m over the next three years).

- 1.9 Due to scale and remit of the project, the Council has also requested funding for a team to deliver the project. As part of the agreement the Council will receive recurrent funding of £385k per annum across the next 4 years of the Safety Valve. As part of this investment we are also looking at supporting delivery of the project through a dedicated resource to project manage this program and enhance the SEND commissioning offer in the Borough.
- 1.10 Following formal publication from the DfE on March 24th, 2022, it has been agreed that Rotherham will receiving funding at the below ratio across the next 5 years as part of the High Needs Safety Valve intervention and this will allow Rotherham to deliver a balanced High Needs budget.

| Year | The Department agrees to pay to the authority an addition £m of DSG by year end |
|---------|---|
| 2021-22 | £8.53m |
| 2022-23 | £3.00m |
| 2023-24 | £3.00m |
| 2024-25 | £3.00m |
| 2025-26 | £3.00m |

- 1.11 The 21/22 DSG Central Reserve of £21.37m after receiving DfE's Safety Valve programme funding of £8.53m, has been reduced to £12.84m.
- 1.12 The Government spending review announced additional funding for schools and high needs, compared to 2019-20, this will rise by £4.8 billion for 2021-22 and £7.1 billion for 2022-23.
- 1.13 In 2022/23 the £7.1 billion is split £4.02 billion to the Schools Block and £0.78 billion to the High Needs Block; the funding split for future years is still to be determined. For Rotherham this is an additional £5.5m for schools and £5.3m in the High Needs Block.
- 1.14 In December the DfE announced the School Supplementary Grant for mainstream schools and an additional £325m to the High Needs Block, with £1.717m allocated to Rotherham to support inflationary cost pressures to employers and other high needs cost pressures.
- 1.15 Following the announcement, we have been approached by specialist academy trusts asking for funding increases and this has resulted in some regional work to provide a regional position. Following these discussions, it has been agreed to increase the current element 3 rates by 4% in 2022/23 to all Rotherham Special School, PRU's and SEND resource base budgets.

1.16 On 29 March 2022 the governments SEND and Alternative Provision Green Paper was published, which sets out its vision for a single, national SEND and alternative provision (AP) system that will introduce new standards in the quality of support given to children across education, health, and social care.

1.17 The publication of the Green Paper marks the start of a 13-week consultation process, closing on 22 July 2022. The key points are;

- A single national SEND and alternative provision system
- Excellent provision from early years to adulthood
- A reformed and integrated role for alternative provision
- System roles, accountabilities, and funding reform

1.18 The outcomes of this consultation will have a major influence on the operation and funding of education settings supporting high needs pupils, one example being the proposed transition to a national funding system.

2. Key Issues

2.1 To operate within the annual Dedicated Schools Grant (DSG) allocations and reduce / mitigate the current DSG Central Reserve deficit.

2.2 Ensure that the DSG Central Reserve complies with the accounting requirements.

3. Actions to address the Key Issues

3.1 As outlined above the Council has produced a DSG Management Plan (as part of the Safety Valve agreement) to identify cost savings and reduce the cost pressures on the High Needs Block within the Dedicated Schools Grant. This includes action to:

- (1) Reduce use of independent specialist provision outside of the LA by creating appropriate capacity within Rotherham's high needs system, with a focus on ensuring provision is high quality and value for money.
- (2) Improve Rotherham's early intervention strategy, including through investment in outreach work.
- (3) Ensure appropriate use of provision and avoid escalation of children and young people's needs by, among other things, improving the governance around placement decisions.
- (4) Review support services in Rotherham to ensure value for money is achieved.
- (5) Increase the outreach offer for Social Emotional and Mental Health needs at primary and secondary.
- (6) Increase the outreach offer for specialist SEND.
- (7) Develop local sufficiency arrangements, including for Rotherham's Looked After Children.
- (8) Drive mainstream schools to adopt inclusive practice to enable more children and young people to remain in mainstream settings where appropriate.

(9) Maintain engagement with stakeholders through strong and collaborative governance arrangements, such as ISOS partnership work, Schools Forum High Needs subgroup, primary and secondary head teachers.

3.2 Since May 2019 Cabinet has approved 3 phases of the councils SEND Sufficiency Strategies. Each phase has outlined the needs analysis, rationale, and process to allocate capital funding to increase the sufficiency of school and setting places for children with Special Education Needs and Disabilities (SEND) in Rotherham.

Phase 1 SEN Sufficiency programme focussed on increasing special school places in Borough as indicated by the rapid growth in demand for all specialist provision. These plans led to increases in places at The Willows School (Including post-16 provision) Kelford School and Abbey School.

Phase 2 The second phase of SEN Sufficiency focussed on the need for more targeted provision for children with ASD and led to the development of new units at Wales School, Wath Victoria School, and increased places at Milton School. There was also investment identified for post-16 provision at Thomas Rotherham college. As a consequence of this investment Rotherham has been better able to meet the needs of local children with autism and to place them in local schools.

Phase 3 The focus is to support the creation of a SEMH free school as Rotherham currently has no specialist education provision to meet the needs of this group of children several solutions have been sought. These include children and young people being placed in Pupil Referral Units (PRU). Phase 3 also proposes to resolve the building condition issues at Newman Special School.

3.3 An independent consultancy, ISOS who support LA's develop strategies and policy in education, children's services, early help, SEN, inclusion, AP and beyond, were engaged to develop a clear understanding and strategy for Rotherham's Alternative Provision offer and to ensure that it is fit for purpose, meets need, is of high quality and is cost effective. Work is now nearly complete in implementing the recommendations of the review with the Primary and Secondary Outreach teams to become operational from September 2022.

3.4 The LAC Sufficiency Strategy, and specifically plans to provide care for more Looked After Children within the Borough, will also have a further positive impact on the High Needs Budget. The Local Authority will be able to directly oversee each child's Education, Health and Care Plan, and identify local provision that is suitable to meet their needs. This is being supported by the development on in-house residential homes and reducing the number of children places outside of Rotherham.

4. Timetable and Accountability for Implementing this Decision

- 4.1 The LA will continue to update the ESFA's Dedicated Schools Grant (DSG) management plan (as part of the Safety Valve agreement) to reflect Rotherham's deficit recovery plan.
- 4.2 The plan identifies how the current projects are estimated to reduce cost pressures in the High Needs Block and operate within the annual allocation in future years.
- 4.3 Ongoing monitoring will be in place across the lifespan of the plan, and this will involve regular meetings between DfE and RMBC on a quarterly basis to both support delivery and hold accountability of the agreement.

5. Financial and Procurement Advice and Implications (to be written by the relevant Head of Finance and the Head of Procurement on behalf of s151 Officer)

- 5.1 Due to the additional funding announced in the Government's spending review, the additional HNB (£325m) linked to inflationary cost pressures and Rotherham entering into a Safety Valve agreement it is now estimated that Rotherham will clear its DSG deficit by the 2025/26 financial year.
- 5.2 The finalised Safety Valve agreement sets out an investment of £20.528m to be received from the DfE across the lifespan of the agreement (2021/22 to 2025/26), which will remove the DSG deficit based on our revenue assumptions, as outlined in the table below;

Safety Valve Revenue Plan 2021/22 - 2025/26

| | 2021-22 £,000s | 2022-23 £,000s | 2023-24 £,000s | 2024-25 £,000s | 2025-26 £,000s |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Mitigated expenditure forecast | £274,031 | £282,200 | £288,938 | £299,155 | £305,451 |
| Estimated DSG Funding | -£272,815 | -£282,650 | -£290,914 | -£298,033 | -£305,250 |
| Other Income | -£461 | -£468 | -£476 | -£484 | -£492 |
| School Block to HNB Transfer | -£3,038 | -£3,236 | -£3,300 | £0 | £0 |
| In Year Deficit / Surplus | £756 | -£918 | -£2,453 | £638 | -£292 |
| Planned Overall DSG position (surplus)/deficit at Year End (Excludes Delivery Team) | £22,013 | £21,095 | £18,643 | £19,280 | £18,988 |
| Safety Valve Delivery Team | £0 | £385 | £385 | £385 | £385 |
| Planned Overall DSG position (surplus)/deficit at Year End (Includes Delivery Team) | £22,013 | £21,480 | £19,413 | £20,435 | £20,528 |
| Aggregated Safety Valve Funding* | -£8,528 | -£11,528 | -£14,528 | -£17,528 | -£20,528 |
| Revised Planned Overall DSG position | £13,485 | £9,952 | £4,885 | £2,907 | £0 |

Note: The council will receive £8.53m of safety valve funding in 2021/22 followed by £3m for the next 4 financial years

- 5.3 The Dedicated Schools Block Central Reserves deficit at the end of the 2021/22 financial year is £12.84m, which after taking account of DSG reserves required in the 2022/23 financial plan is still on target with the DSG management plan as outlined above.

6. Legal Advice and Implications (to be written by Legal Officer on behalf of Assistant Director Legal Services)

- 6.1 In addition to the details of the duties contained in this Report the Council must ensure compliance with the requirements of the Accounts and Audit Regulations 2015.

7. Human Resources Advice and Implications

- 7.1 There are no Human Resource implications arising from this report.

8. Implications for Children and Young People and Vulnerable Adults

- 8.1 Rotherham is compliant with the SEND Code of Practice which sets out that if a child's parent or a young person makes a request for a particular nursery, school or post-16 institution in maintained, non-maintained, or independent provision, the local authority must comply with that preference and name the school or college in the EHC plan unless it would be unsuitable for the age, ability, aptitude or SEN of the child or young person, or the attendance of the child or young person there would be incompatible with the efficient education of others, or the efficient use of resources.

9. Equalities and Human Rights Advice and Implications

- 9.1 There are no implications arising directly from this report to Equalities and Human Rights. This is because the Report is a noting Report and the decision making Reports contained the implications for Equalities and Human Rights.

10. Implications for Partners

- 10.1 The Council is increasingly working in partnership with other public, voluntary and community sector bodies in delivering services and influencing outcomes.

11. Risks and Mitigation

- 11.1 The report outlines the risks to the High Needs Block of the Dedicated Schools Grant and the actions being implemented to mitigate the financial pressures.

12. Accountable Officer(s)

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